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BUCKLEY, MASCHOFF & TALWALKAR LLC
50 LOCUST AVENUE
NEW CANAAN, CT 06840

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BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Application Number: 10/707,491
Filing Date: December 17, 2003
Appellant(s): JONES ET AL.

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GROUP 3600

Attorney Randolph P. Calhoune

For Appellant

EXAMINER'S ANSWER

This is in response to the appeal brief filed August 30, 2007 appealing from the Office action mailed July 14, 2006.

(1) Real Party in Interest

A statement identifying by name the real party in interest is contained in the brief.

(2) Related Appeals and Interferences

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

(3) Status of Claims

The statement of the status of claims contained in the brief is correct.

(4) Status of Amendments After Final

The amendment after final rejection filed on September 15, 2006 has been entered for the purposes of this Appeal Brief. The amendments merely corrected typographical errors in the dependency relationships. The prior conflicts and related objections have not affected the examination on the merits.

(5) Summary of Claimed Subject Matter

The summary of claimed subject matter contained in the brief is correct.

(6) Grounds of Rejection to be Reviewed on Appeal

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct.

(7) Claims Appendix

The copy of the appealed claims contained in the Appendix to the brief is correct.

(8) Evidence Relied Upon

1.	2003/0130941	Birle Jr. et al.	8-2001
2.	5,704,045	King et al.	12-1997
3.	6,263,321	Daughtery, III, Vergil L.	07-2001
4.	2004/0193536	Marlowe-Noren, Joanne	09-2004
5.	2003/0093375	Green et al.	05-2003

6. Downes, J.D. & Goodman, E. Dictionary of Finance and Investment Terms, Fifth Edition, 1998, Barron's Educational Services, pp. 119, 607 & 677.

(9) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the

invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

1. **Claims 1-12, 14, 20 and 21-24 are rejected** under 35 U.S.C. 103(a) as being disclosed by Birle Jr. et al. (US PreGrant Publication 2003/0130941 A1, hereafter Birle) in view of Barron's Dictionary of Finance (hereafter Barron's).

Re. Claims 1, Birle discloses a method for issuing a unit to a holder, comprising:

- creating a forward contract with said holder, having a contract term extending from an issue date of said unit to a settlement date and specifying a settlement rate for calculating a share delivery of issuer stock to said holder at said settlement date in exchange for a settlement amount (Financial bonds and convertible bonds are such forward contracts, p. 1, [0003], [0005]-ll.1-4; [0009]-ll.1-6. Share delivery is inherent.);
- creating a note securing obligations of said holder under said forward contract, said note permitting said holder to convert said note into an amount of shares of issuer stock pursuant to a specified conversion formula (p. 1, [0005]).
- using a processor ([0065]-l. 5).

Birle does not explicitly disclose issuing a forward contract and a note as a unit. However, Barron's Financial Dictionary discloses that convertible bonds are issued as a unit (p. 677, UNIT, Securities items 3 & 4). Accordingly, an ordinary practitioner of the art at the time of Appellant's invention would have found it obvious to have known that a convertible bond is issued as a unit made up of a forward contract with a note known as a bond. As such it would have been obvious for such practitioner to have combined the art of Birle with the art found in Barron's Financial Dictionary in order to issue units to holders which contain a forward contract with a securing note and a conversion privilege for such note to be converted by holder to issuer's stock under certain conditions at holder's option, motivated by an opportunity to benefit issuers, holders, capital markets and the general public (Birle, [0020]).

Re. Claim 2, Birle discloses a method wherein said note is at least one of: a convertible

debt instrument, a contingent convertible debt instrument, a convertible preferred instrument, a preferred stock instrument, and a fixed income instrument (p. 1, [0003], [0005]-ll.1-4).

Re. Claim 3, Birle discloses a method wherein said forward contract obligates said issuer to pay a contract fee to said holder during said contract term ([0003]-l. 7).

Re. Claim 4, Birle does not explicitly disclose a method wherein said contract fee is specified as an annual contract payment rate paid quarterly during said term. However, since many bonds have annual contract payment rates paid quarterly during the term of the bonds, an annual contract payment rate paid quarterly during said term is an inherent possibility in Birle's teaching.

Re. Claim 5, Birle does not explicitly disclose a method wherein said note has a maturity date, said maturity date occurring after said settlement date. However, a maturity date after a settlement date is an inherent possibility in a convertible bond because settlement can occur most of the time between the issue date and the maturity date based on the rights accruing to the issuer to recall a bond and the holder to convert a bond.

Re. Claim 6, Birle does not explicitly disclose a method wherein said settlement date is less than or equal to about four years after said issue date. However, a large percentage of convertible bonds mature in five to thirty years. Conversion periods tend to extend over much of the life of bonds. Therefore a settlement date of about four years is an inherent possibility in Birle's disclosure.

Re. Claim 7, Birle discloses a method wherein said conversion formula specifies an initial share price, an initial share conversion price, an initial share conversion premium, and a share conversion ratio ([0005]-ll. 7-8(conv. ratio), 14(conv. price); [0006]-ll. 3-6(initial stock price), 9-16(conv. premium)).

Re. Claim 8, Birle discloses a method wherein said note is a contingent payment debt instrument for tax purposes (Abstract-ll. 4-12).

Re. Claim 9, Birle discloses a method wherein said contingent note includes a contingency event occurring after said settlement date, said contingency event causing said holder to receive an amount of contingent interest if the trading price of the

note is greater than a specified percentage of the accreted principal amount of said note (Abstract-ll. 7-20).

Re. Claim 10, Birle discloses a method wherein said contingency event causes a distribution of a number of warrants (Abstract-ll. 7-12; [0002]-l. 3; [0076]-ll. 10-13).

Re. Claim 11, Birle discloses a method wherein said contingent note includes the distribution of additional warrants at a first call date associated with said note (Abstract-ll. 7-12; [0002]-l. 3; [0076]-ll. 10-13.).

Re. Claim 12, Birle discloses the use of warrants in relation to financings ([0002]-l. 3). Birle also discloses or suggests that the issuer of bonds and convertible bonds has wide latitude in the establishment of terms and conditions, with the underlying understanding that such terms and conditions must be able to be sold to prospective holders, i.e. that the total package must be sufficiently attractive to prospective buyer-holders under the market conditions extant at the time of issuance of a financial instrument such as a convertible note/bond. Birle further discloses or suggests that the marketing of such instruments must be flexible to the variations of market conditions (Abstract-ll. 1-4; [0003]; [0007]-ll. 1-4; [0012]; [0014]; [0018]-ll. 1-6). Birle does not explicitly disclose the details of how warrants are used, such as warrants distributed if a share price of said issuer stock has increased above a predetermined amount since an issue date.
said issuer stock has increased above a predetermined amount since said issue date. However, Barron's discloses that the role of warrants are to serve as sweeteners with a bond or preferred stock, that entitles the holder to buy a proportionate amount of common stock at a specified price, usually higher than the market price at the time of issuance, for a period of years or to perpetuity (p. 607, Subscription Warrants). It would have been obvious to combine the teaching of Birle with the teaching of Barron's in order to make use of warrants for the possibility that issuer stock has increased above a predetermined amount since the issue date, motivated by motivated by an opportunity to benefit issuers, holders capital markets and the general public (Birle, [0020]).

Re. Claim 14, Birle discloses a method wherein said note further includes an issuer call option arising on a specified date prior to a maturity of said note ([0007]-ll. 1-3).

Re. Claim 20, Birle discloses a method wherein said note is at least one of a zero coupon note and a note having a low initial interest accretion rate ([0008]).

Re. Claim 21, Birle discloses a method wherein said forward contract specifying that said holder never receives an amount of issuer stock worth more than said settlement Amount ([0006]-ll. 1-3).

Re. Claims 22, Birle discloses a unit administration system, comprising:

- a processor; and a storage device in communication with said processor and storing instructions adapted to be executed by said processor to (Fig's 4&5; Storage instructions are inherent):
- identify terms of a forward contract involving an issuer, a holder and an equity security (p. 1, [0003], [0005]-ll.1-4; [0009]-ll.1-6);
- identify terms of a contingent convertible debt instrument involving said issuer, said holder and said equity security ([0003], [0005]-ll.1-4; [0009]-ll.1-6); and
- cause the issuance of a unit to said holder, said unit including said forward contract and said contingent convertible debt instrument .
- creating a note securing obligations of said holder under said forward contract, said note permitting said holder to convert said note into an amount of shares of issuer stock pursuant to a specified conversion formula (p. 1, [0005]-[0007]).

Birle does not explicitly disclose issuing a forward contract and a note as a unit. However, Barron's Financial Dictionary discloses that bonds are issued as a unit (p. 677, UNIT, Finance, 4.). Accordingly, an ordinary practitioner of the art at the time of Appellant's invention would have found it obvious that a convertible bond is issued as a unit made up of a forward contract with a note known as a bond. As such it would have been obvious for such practitioner to have combined the art of Birle with the art found in Barron's Financial Dictionary in order to issue units to holders which contain a forward contract with a securing note and a conversion privilege for such note to be converted by holder to issuer's stock under certain conditions at holder's option, motivated by an opportunity to benefit issuers, holders capital markets and the general public (Birle, [0020]).

Re. Claim 23, Birle discloses a unit administration system comprising a communication device coupled to receive information from at least one of said issuer, said holder, and a market data source (Modems in Fig's 4&5).

Re. Claim 24, Birle discloses a unit administration system wherein said terms of said contingent convertible debt instrument include conversion terms requiring said issuer to deliver to said holder value equal to an accreted principal amount of said contingent convertible debt instrument and an amount of shares having a value equal to a remaining conversion value of said contingent convertible debt instrument ([0003], [0005] through [0009]).

Re. Claim 30, Birle discloses a method for issuing a unit to a holder, comprising: creating a forward contract obligating an issuer to pay a contract fee to the holder, said forward contract having a contract term and specifying a share delivery ratio for calculating a share delivery of issuer stock to said holder at an end of said contract term; creating a convertible debt instrument securing obligations of said holder under said forward contract, said convertible debt instrument permitting said holder to convert said note into an amount of shares of issuer stock pursuant to a conversion formula, and specifying a contingent distribution of additional warrants at a first call date if a share price of said issuer stock is above a predetermined amount on said first call date; in exchange for a price (Financial bonds and convertible bonds are such forward contracts, p. 1, [0003], [0005]-ll.1-4; [0009]-ll.1-6. Share delivery is inherent), and using a processor ([0065]-l. 5).

Birle does not explicitly disclose issuing a forward contract and a convertible debt instrument as a unit. However, Barron's Financial Dictionary discloses that bonds, including convertible bonds, are issued as a unit (p. 677, UNIT, Finance, 4.). Accordingly, an ordinary practitioner of the art at the time of Appellant's invention would have found it obvious to have known that a convertible bond is issued as a unit made up of a forward contract with a note known as a bond. As such it would have been obvious for such practitioner to have combined the art of Birle with the art found in Barron's Financial Dictionary in order to issue units to holders which contain a forward contract

with a convertible debt instrument, motivated by an opportunity to benefit issuers, holders capital markets and the general public (Birle, [0020]).

2. Claim 13 is rejected under 35 U.S.C. 103(a) as being disclosed by Birle in view of Barron's in regard to the rejection of claim 1 above, and further in view King et al. (US Patent 5,704,045, hereafter King).

Re. Claim 13, neither Birle nor Barron's explicitly disclose a method wherein said contingent note includes at least one of an interest adjustment mechanism and a contingent cash interest mechanism. However, King discloses a method wherein said contingent note includes at least one of an interest adjustment mechanism and a contingent cash interest mechanism. It would have been obvious to an ordinary practitioner of the art at the time of Appellant's invention to have combined the disclosures of Birl and Barron's with the disclosure of King in order to provide contingent note with an interest adjustment mechanism motivated by the desire to providing a method of transferring risk, for providing investors a method for accepting risk or a diversification of risk (King, col. 3, ll. 12-17).

3. Claim 15-19 are rejected under 35 U.S.C. 103(a) as being disclosed by Birle in view of Barron's in regard to the rejection claims 1 above, and further in view Daughtery (US Patent 6,263,321) and Marlowe-Noren (US PreGrant Publication 2004/0193536 A1).

Re. Claim 15, Birle discloses or suggests that the issuer of bonds and convertible bonds has wide latitude in the establishment of terms and conditions, with the underlying understanding that such terms and conditions must be able to be sold to prospective holders. Birle further discloses or suggests that the marketing of such instruments must be flexible to the variations of market conditions (Abstract-ll. 1-4; [0003]; [0007]-ll. 1-4; [0012]; [0014]; [0018]-ll. 1-6). Neither Birle nor Barron's explicitly disclose a method wherein said note further includes a first remarketing scheduled on a first remarketing date occurring prior to said settlement date. However, Daughtery discloses the practice of remarketing of notes (Notes include bonds and convertible

bonds in the art by definition) (Col. 22, ll. 60-62; Col. 23, ll. 26-29). Marlowe-Noren discloses a set of logic, process and some of the alternatives used in remarketing various kinds of notes, bonds and convertible bonds/notes ([0004]-l. 17; [0007]-ll.9-15; [0018]; [0024]-ll.1-14; [0032]; [0049]; [0051-0052]; 0055]-9-21). Therefore, an ordinary practitioner of the art at the time of Appellant's invention would have seen it obvious to combine the disclosures of Birle, Barron's, Daughtery and Marlowe-Noren in order to establish the opportunity for remarketing within the terms and conditions of issuance of a convertible note instrument, including the provisions for one or more remarketing dates at the outset or after issuance, such that a first remarketing date occurs prior to the settlement date, motivated by the desire to maintain the long term integrity of the financing/proceeds made available to the issuer upon the initial placement of the notes (Marlowe-Noren, [0032]-ll. 13-16).

Re. Claims 17 & 18, Birle discloses the latitude which issuers have to maintain the integrity of the proceeds of their financings.

- **Re. Claim 17,** neither Birle nor Barron's explicitly disclose a method wherein said note further includes at least a second capped remarketing scheduled after said first remarketing date.
- **Re. Claim 18,** neither Birle nor Barron's explicitly disclose a method wherein said note further includes an opportunistic remarketing period after said settlement date and during which said issuer can elect to cap a remarketing or not.
- **Re. Claim 19,** neither Birle nor Barron's explicitly disclose a method wherein said note further includes an uncapped remarketing scheduled after said opportunistic remarketing period.

However, Daughtery discloses the practice of securities offerings being capped, and the use if this expression in the financial securities trading art (Col. 3, l. 4). Marlowe-Noren discloses the practice of remarketing used to protect the proceeds obtained in an initial financing. It would have been obvious to the ordinary practitioner of the art at the time of Appellant's invention to combine the teachings of Birle, Barron's, Daughtery and Marlowe-Noren to make use of multiple remarketing efforts, including opportunistic

remarketing after a settlement date, and the practice of capping remarketing offers, motivated by the desire to maintain the long term integrity of the financing/proceeds made available to the issuer upon the initial placement of the notes (Marlowe-Noren, [0032]-ll. 13-16).

4. **Claim 25-29 and 31 are rejected** under 35 U.S.C. 103(a) as being disclosed by Birle in view of Barron's, and further in view Daughtery and Marlowe-Noren.

Re. Claim 25, Birle discloses a method for issuing a unit to a holder, comprising:

- establishing a purchase contract portion of said unit with said holder, said purchase contract portion identifying a settlement price to be paid on a settlement date by said holder in exchange for a number of shares having a predetermined value;
- establishing a note portion, said note portion including terms identifying a maturity date, an initial principal amount, and at least one contingent feature;
- issuing said convertible financial instrument to said holder; and
- using a processor ([0065]-l. 5).

Birle does not explicitly disclose issuing a forward contract and a note as a unit; and However, Barron's Financial Dictionary discloses that bonds are issued as a unit (p. 677, UNIT, Finance, 4.).

Further, Birle discloses or suggests that the issuer of bonds and convertible bonds has wide latitude in the establishment of terms and conditions, with the underlying understanding that such terms and conditions must be able to be sold to prospective holders. Birle further discloses or suggests that the marketing of such instruments must be flexible to the variations of market conditions (Abstract-ll. 1-4; [0003]; [0007]-ll. 1-4; [0012]; [0014]; [0018]-ll. 1-6). Neither Birle nor Barron's explicitly disclose a method wherein said note further includes a first remarketing date. However, Daughtery discloses the practice of remarketing of notes (Notes include bonds and convertible bonds in the art by definition) (Col. 22, ll. 60-62; Col. 23, ll. 26-29). Marlowe-Noren discloses a set of logic, process and some of the alternatives used in remarketing

various kinds of notes, bonds and convertible bonds/notes ([0004]-l. 17; [0007]-ll.9-15; [0018]; [0024]-ll.1-14; [0032]; [0049]; [0051-0052]; 0055]-9-21). Therefore, an ordinary practitioner of the art at the time of Appellant's invention would have seen it obvious to combine the disclosures of Birle, Barron's, Daughtery and Marlowe-Noren in order to issue a unit to a holder including a remarketing date, motivated by the desire to maintain the long term integrity of the financing/proceeds made available to the issuer upon the initial placement of the notes (Marlowe-Noren, [0032]-ll. 13-16).

Re. Claim 26, Birle discloses a method with a purchase contract portion further identifying a contract payment amount to be paid to said holder ([0003]-ll. 5-7).

Re. Claim 27, Birle discloses a method wherein at least one of said establishing a purchase contract portion, establishing said note portion and issuing said unit is performed using a computing device (Fig's 4&5).

Re. Claim 28, Birle discloses a method said note portion further comprising: terms permitting said holder to convert said note portion into an amount of shares of issuer stock pursuant to a conversion formula ([0005]-[0009]).

Re. Claim 29, Birle discloses a method wherein said at least one contingent feature is an additional distribution of warrants at a first call date if a share price is greater than a threshold amount (Abstract-ll. 7-12; [0002]-l. 3; [0076]-ll. 10-13.).

Birle discloses the use of warrants in relation to financings ([0002]-l. 3). Birle also discloses or suggest that the issuer of bonds and convertible bonds has wide latitude in the establishment of terms and conditions, with the underlying understanding that such terms and conditions must be able to be sold to prospective holders, i.e. that the total package must be sufficiently attractive to prospective buyer-holders under the market conditions extant at the time of issuance of a financial instrument such as a convertible note/bond. Birle further discloses or suggests that the marketing of such instruments must be flexible to the variations of market conditions (Abstract-ll. 1-4; [0003]; [0007]-ll. 1-4; [0012]; [0014]; [0018]-ll. 1-6). Birle does not explicitly disclose the details of how warrants are used, such as a contingent feature of an additional distribution of warrants at a first call date if a share price is greater than a threshold amount. However, Barron's discloses that the role of warrants are to serve as sweeteners with a bond or preferred

stock which entitles the holder to buy a proportionate amount of common stock at a specified price, usually higher than the market price at the time of issuance, for a period of years or to perpetuity (p. 607, Subscription Warrants). It would have been obvious to combine the teaching of Birle with the teaching of Barron's, Daughtery and Marlowe-Noren in order to make use of warrants at a first call date for the possibility that issuer stock has increased above a threshold amount, motivated by an opportunity to benefit issuers, holders capital markets and the general public (Birle, [0020]).

Re. Claim 31, Birle discloses a method wherein at least one of said creating a forward contract, creating a convertible debt instrument, and issuing said forward contract is performed using a computer (Fig's 4&5).

5. **Claims 32 and 33 are rejected** under 35 U.S.C. 103(a) as being disclosed by Birle in view of Green et al. (US PreGrant Publication 2003/0093375 A1, hereafter Greene), and further in view of Barron's.

Re. Claims 32 & 33, Birle discloses a method and computing device comprising

- a processor and a storage device in communication with said processor and storing instructions adapted to be executed by said processor (Fig's 4&5; Storage instructions are inherent):
- the identifying of terms of a forward contract involving an issuer, a holder and an equity security (p. 1, [0003], [0005]-ll.1-4; [0009]-ll.1-6);
- identifying the terms of a contingent convertible debt instrument involving said issuer, said holder and said equity security ([0003], [0005]-ll.1-4; [0009]-ll.1-6); and
- causing the issuance of a unit to said holder, said unit including said forward contract and said contingent convertible debt instrument .
- creating a note securing obligations of said holder under said forward contract, said note permitting said holder to convert said note into an amount of shares of issuer stock pursuant to a specified conversion formula (p. 1, [0005]-[0007]).

Birle does not explicitly disclose:

- issuing a forward contract and a note as a unit.
- A unit pricing device, comprising: a processor;
- the explicit computing steps of
    - o a communication device coupled to receive market information from at least a first market data source; and
    - o a storage device in communication with said processor and storing instructions adapted to be executed by said processor to:

      * receive data identifying terms of a proposed unit including data identifying terms of a forward contract involving an issuer and an equity security, and data identifying terms of a contingent convertible debt instrument involving said issuer and said equity security;

      * receive said market information from said market data source; and generate, based on said market information and said terms of said proposed unit, pricing data associated with said proposed unit.

However, Barron's Financial Dictionary discloses that bonds are issued as a unit (p. 677, UNIT, Finance, 4.).

Also, Green discloses a pricing device and a method for creating or developing, issuing, and servicing or maintaining convertible or exchangeable financial instruments (Abstract).

Green discloses the explicit computing steps of

- o a communication device coupled to receive market information from at least a first market data source (Fig. 1); and
- o a storage device in communication with said processor (Fig. 1) and storing instructions (inherent) adapted to be executed by said processor to:
- receive data identifying terms of a proposed unit including data identifying terms of a forward contract involving an issuer and an equity security, and data identifying terms of a contingent convertible debt instrument involving said issuer and said equity security (Fig's 1-15);

- receive said market information from said market data source (Fig's 1-15); and
- generate, based on said market information and said terms of said proposed unit, pricing data associated with said proposed unit (Fig. 2-4).

It would have been obvious to an ordinary practitioner of the art at the time of the invention to have combined the teachings of Birle, Barron's and Green for the purpose of establishing a pricing device for a unit comprised of a forward contract involving an issuer, an equity security, and a contingent convertible debt instrument motivated by the desire for an efficient, flexible and timely way to construct, test, evaluate and issue such financial instruments in rapidly changing market conditions (Green, [0008]-ll. 15-19).

(10) Response to Argument

CLAIMS 1 AND 22 AS EXEMPLARY

Appellant implicitly argues claim 1 as exemplary of all of the independent claims since the arguments for the other independent claims refer to the arguments regarding independent claims 1. A comment is made about system claim 22 on p. 8, ll. 10-13. Claim 22 is the systems claim for implementing claim 1. No other substantive arguments regarding other independent claims are presented.

ARGUMENT A: "Contrary to Appellant's clear and unambiguous claim language, the Examiner continues to use financial terms such as 'bonds", "convertible bonds", and "securities" in general as though such terms are not terms of art having specific meanings in the relevant fields of, for example, finance and securities. For example, the Examiner responds to Appellant's previously filed Response and Amendment that "[B]onds, convertible bonds and every other financial security is, among other things, a contract. They would not be securities were that not so. These instruments are implicitly and inherently futures instruments in a real sense of the term."" (p. 9, ll. 11-19). In other words, the examiner is misinterpreting certain terms in the art which are critical to the

interpretation of Appellant's independent claims limitations. These misinterpreted terms specifically include 'forward contract, convertible note, contingent conversion, bond, (See Appellant's Specification paragraphs [0017] - [0027]) '(p. 9, ll. 6-8).

RESPONSE: **MPEP 2111.01. Plain Meaning.** **>Although< claims of issued patents are interpreted in light of the specification, prosecution history, prior art and other claims, this is not the mode of claim interpretation to be applied during examination. During examination, the claims must be interpreted as broadly as their terms reasonably allow (underling added). *In re American Academy of Science Tech Center*, 367 F.3d 1359, 1369, 70 USPQ2d 1827, 1834 (Fed. Cir. 2004) (The USPTO uses a different standard for construing claims than that used by district courts; during examination the USPTO must give claims their broadest reasonable interpretation >in light of the specification<.). This means that the words of the claim must be given their plain meaning unless **>the plain meaning is inconsistent with< the specification. *In re Zletz*, 893 F.2d 319, 321, 13 USPQ2d 1320, 1322 (Fed. Cir. 1989) (discussed below); *Chef America, Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371, 1372, 69 USPQ2d 1857 (Fed. Cir. 2004) (Ordinary, simple English words whose meaning is clear and unquestionable, absent any indication that their use in a particular context changes their meaning, are construed to mean exactly what they say.

In the instant application, Appellant's specification fails to contain an explicit statement limiting the meaning of these terms. The examiner therefore had to interpret the claims as broadly as their terms reasonably allow. The examiner has a master's degree in finance and has made the broadest interpretations according to the broadest reasonable understanding of the art, using Barron's, a widely accepted finance dictionary in the process.

Exemplary of Appellant's attempts to narrow the broadest meaning out of his own terminology by misrepresenting what the broadest meaning is from the definition in Barron's of a "unit". Appellant actually quotes the examiner's citation of Barron's definition 3. under the section on page 677 which defines "unit" In varying contexts. The examiner's definition quotes item 3. under "Securities". This definition begins with the following simple definition of a "unit": "more than one class of securities traded

together". As can bee seen in the rejection rationale of claim 1 above, the examiner simply interprets the two instruments bundles together as a unit following this Barron's definition. However, Appellant then continues to provide additional definitions within category 3, and then provides the following rationalized definition: "Barron's discloses a unit as one share of stock OR one bond" (capitalization and underlining added) (p. 11, l. 3). The remainder of this same paragraph (p. 11, ll. 3-13) rationalizes a narrow definition. An exemplary narrow statement is "That is, Barron's fails to disclose or suggest the claimed unit of a forward contract and a note (claims 1 and 33); a forward contract and a contingent convertible debt instrument (claim 22 and 32); a purchase contract and a note (claim 25); and a forward contract and a convertible debt instrument (claim 30). (p. 11, ll. 5-9)". This rationale excludes the very definition from the Barron's quotation, namely that a unit can mean "more than one class of securities traded together". Clearly the claimed unit bundles together more than one class of securities. In the absence of Appellant taking advantage of the right to be his own lexicographer by explicitly defining critical terms in the narrow meaning he argues, the examiner must continue to maintain that the terms in the claims must be interpreted to have the broadest reasonable meanings as required by the MPEP and case law.

ARGUMENT B:

Basic Argument: As will be evident from the following detailed discussion, the cited and relied Birle and Barton's fail to disclose or suggest that for which the Examiner cites and relies upon them to disclose. Furthermore, the Examiner fails to provide any logical reasoning supported by the references for concluding the claims are obvious. (p. 7, l. 30 – p. 8, l. 2).

Supporting Arguments:

1. Birle appears to disclose only a debt instrument (e.g., a bond) and not both the claimed forward contract and the claimed note. The Examiner's reliance on the same passage of Birle for allegedly disclosing both components of the claimed unit emphasizes the flawed reasoning of the rejection. (p. 8, l. 26 – p. 9, l. 2).

2. "it appears that the Examiner does not recognize or at least properly read the claims in the context within which they are stated. The claims that are fully supported and commensurate with the Specification. " (p. 9, ll. 19-22).

RESPONSE:

Appellant's supporting arguments appear to treat the rejections as if they were made under the statutory anticipation standard of 35 USC 102, when in fact the rejections have been and continue to be made under the 35 USC 103(a) standard of obviousness combination. As such,

1. The following recently reconfirmed federal circuit opinion applies:

The Federal Circuit recently has been distinguishing the rulings of *In re Lee*, *In re Dembiczak* and *In re Johnston*. The recently ruling of *In re Kahn* supports this trend as well. Note the following:

> "A suggestion, teaching, or motivation to combine the relevant prior art teachings does not have to be found explicitly in the prior art, as the teaching, motivation, or suggestion may be implicit from the prior art as a whole, rather than expressly stated in the references. . . . The test for an implicit showing is what the combined teachings, knowledge of one of ordinary skill in the art, and the nature of the problem to be solved as a whole would have suggested to those of ordinary skill in the art. In re Kotzab, 217 F.3d 1365, 1370 (Fed. Cir. 2000). However, rejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness. See Lee, 277 F.3d at 1343-46; Rouffett, 149 F.3d at 1355-59. This requirement is as much rooted in the Administrative Procedure Act, which ensures due process and non-arbitrary decisionmaking, as it is in § 103. See id. at 1344-45." In re Kahn, Slip Op. 04-1616, page 9 (Fed. Cir. Mar. 22, 2006).

2. The Recently en banc decision by the BPAI based on he US Supreme Court's KSR decision also applies:

BPAI, *Ex parte* CATAN, Appeal 2007-0820, Decided: July 3, 2007

PRINCIPLES OF LAW

"Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1734, 82 USPQ2d 1385, 1391 (2007).

The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966). *See also KSR*, 127 S.Ct. at 1734, 82 USPQ2d at 1391 ("While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.") The Court in *Graham* further noted that evidence of secondary considerations, such as commercial success, long felt but unsolved needs, failure of others, etc., "might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented." 383 U.S. at 18, 148 USPQ at 467.

In *KSR*, the Supreme Court emphasized "the need for caution in granting a patent based on the combination of elements found in the prior art," *id.* at 1739, 82 USPQ2d at 1395, and discussed circumstances in which

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a patent might be determined to be obvious without an explicit application of the teaching, suggestion, motivation test.

In particular, the Supreme Court emphasized that "the principles laid down in *Graham* reaffirmed the 'functional approach' of *Hotchkiss*, 11 How. 248." *KSR*, 127 S.Ct. at 1739, 82 USPQ2d at 1395 (citing *Graham v. John Deere Co.*, 383 U.S. 1, 12, 148 USPQ 459, 464 (1966) (emphasis added)), and reaffirmed principles based on its precedent that "[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results." *Id.* The Court explained:

> When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, §103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.

Id. at 1740, 82 USPQ2d at 1396. The operative question in this "functional approach" is thus "whether the improvement is more than the predictable use of prior art elements according to their established functions." *Id.*

The Supreme Court made clear that "[f]ollowing these principles may be more difficult in other cases than it is here because the claimed subject matter may involve more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement." *Id.* The Court explained, "[o]ften, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue." *Id.* at 1740-41, 82 USPQ2d at 1396. The Court noted that "[t]o facilitate review, this analysis should be made explicit. *Id.* (citing *In re Kahn,* 441 F.3d 977, 988, 78 USPQ2d 1329, 1336 (Fed. Cir. 2006)) ("[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness"). However, "the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ." *Id.* at 1741, 82 USPQ2d at 1396.
The Supreme Court's opinion in *United States v. Adams*, 383 U.S. 39, 40, 148 USPQ 479, 480 (1966) is illustrative of the "functional approach" to be taken in cases where the claimed invention is a prior art structure altered by substituting one element in the structure for another known element. *KSR*, 127 S.Ct. at 1734, 82 USPQ2d at 1391. "The Court [in *Adams*] recognized that when a patent claims a structure already known in the prior art that is altered by the mere substitution of one element for another known in the field, the combination must do more than yield a predictable result. 383 U.S., at 50-51." *Id.* Ultimately the *Adams* Court found the combination at issue *not* obvious to those skilled in the art because, although the elements were known in the prior art, they worked together in an *unexpected* manner.
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> The [*Adams*] Court relied upon the corollary principle that when the prior art teaches away from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious. *Id.*, at 51-52, 86 S.Ct. 708. When Adams designed his battery, the prior art warned that risks were involved in using the types of electrodes he employed. *The fact that the elements worked together in an unexpected and fruitful manner*

> *supported the conclusion that Adams's design was not obvious to those skilled in the art.*

KSR, 127 S.Ct. at 1740, 82 USPQ2d at 1395 (emphasis added).

In the instant case, the examiner has met the standards reconfirmed by *In re Kahn*, *Ex parte* CATAN and KSR as stated above. The examiner has pointed to a combination of explicit, implicit, suggested and obvious reasons, and to the knowledge of the ordinary practitioner in consideration of the problems to be solved, supported by articulated reasoning with some rational underpinning to support the legal conclusion of obviousness in making the rejections of independent claims 1, 22, 25, 30, 32 and 33 under the 35 USC obviousness statute.

The rejections are based on the above cited obviousness standard. As such, it is not necessarily what Birle explicitly discloses or suggests, but what would be obvious to one of ordinary skill in the art for solving the particular problem Appellant has sought to solve through his invention. In reviewing Appellant's specification, Appellant has presented the following in the Background of the Invention section: "It would be desirable to provide mandatory units having improved financial benefits. It would further be desirable to provide improved methods and apparatus for conducting transactions that result in improved benefits to issuers" (pp. 1-2,[0003]-ll. 6-10). These statements are not accompanied by statements which disclose what needs improving in the mandatory unit products which have become popular in the years leading up to Appellant's invention and/or with the methods and apparatus for delivering these mandatory units. Neither the Summary of Invention section nor the Detailed Description section help the reader see what these financial benefit improvements and improved methods and apparatus are.

The rejection of claim 1 is based on what is disclosed and suggested by Birle in view of Barron's Dictionary of Finance and Investment Terms, and implicitly also on what would be obvious from these disclosures and suggestions and the ordinary practitioner's personal knowledge in combination to solve the problem at hand as a whole. Bonds, convertible bonds and every other financial security is, among other

things, a contract. They would not be securities were that not so. These instruments are implicitly and inherently futures instruments in a real sense of the term. Again, were they not so they would not have value and would not be tradeable on securities markets. Appellant's entire specification depends on this, and explicitly and implicitly emphasizes and depends on this characteristic of the financial instruments Appellant claims. At the same time, this argument against Birle about trading in the future is inappropriate since Appellant does not actually claim trading in the future in the independent claims, particularly in claim 1. However, in both Birle and Appellant's claims, trading in the future is implicit since Appellant defines the issuer and financial instruments issued by the issuer to\ be publicly tradeable. The definition of terms discussed above in the response to Argument A is important in this examination. Had Appellant defined the critical terms narrowly in the specification the examiner would have taken a different approach to the examination of the claims.

(11) Related Proceeding(s) Appendix

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

Siegfried E. Chencinski

Patent Examiner

Conferees:
Andrew J. Fischer for
Richard E. Chilcot, SPE

Frantzy Pinvil, Primary Examiner FP

Donald Champagne, Primary Examiner

Siegfried E. Chencinski, Patent Examiner